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1. On November 8, Assistant Secretary Solomon gave Ambassador Ortona USG response to Italian proposal of ~~October 24~~ (see reftel) stating that USG prepared enter into early negotiations but unable accept entirely assumptions mentioned by Ortona on October 24. Gist of USG response as contained in Solomon talking paper (Solomon gave Ortona copy of it) as follows:

a. On routes, USG willing, within context Italian proposal, to drop request for Africa and Australia routes but would need confirmation route beyond Italy through Near and Middle East to Far East. (Explained to Ortona that USG did not agree that Italian proposal only $139,000 in imbalance; USG estimate is $2.3 million imbalance; so inclusion Far East route would not imbalance agreement in favor of US).

b. On future negotiations, USG could not accept /commitment to grant any specific route in future nor agree to any supplementary document which implies such commitment. However, supplementary

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY ____ DATE 25 MAY 1982
RDS☐ or XDS☐ EXT. DATE ____
IS AUTH. Solomon REASON(S) ____
ENDORSE EXISTING MARKINGS ☐
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USG could ~~not~~ accept joint statement indicating that consultations will be held in future at request either party to review existing operations and to consider desirability additional route exchange involving beyond rights on basis of equitable exchange of economic benefits.

c. On operating principles, USG assumes, in light May 1968 informal talks, that overall agreement would consist of Bermuda agreement plus supplementary document on capacity to be formulated during negotiations ~~exercising~~ not inconsistent with criteria given Ortona in May talks.

d. On dates for negotiations, USG prepared begin any date convenient to Italy.

2. In discussion Ortona asked if Far East route mentioned in talking paper included Tokyo. He was informed USG considers Bangkok and Hong Kong as sine qua non and would want something beyond Hong Kong; this could be dealt with in negotiations. Ortona also asked about Italy route requests; reply was USG considered Italian proposal as acceptable basis for negotiations; specifics of routes would need be negotiated. Solomon emphasized USG response indicated minimum position and this did not preclude addition other elements.

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3. Ortona not sure who would head Italian Delegation; perhaps Santini. Solomon said USG planning have John Meadows chair US Delegation. Ortona indicated GOI might want begin negotiations around November 20. He was told would be desirable give USG at least ten days notice of date for beginning talks.

4. In course discussion, Solomon gave Ortona chart showing route values of Italian proposal according to USG estimates and also US draft of new agreement. Ortona told that acceptance by Italy of USG draft as basis of discussion would greatly facilitate negotiations. Copies of Talking Paper, paper on route values, and USG draft of new agreement being air-pouched to Embassy.

END

RUSK

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